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January 17, 2007

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VIA EFILING and HAND DELIVERY

Mr. Charles L.A. Terreni
Chief Clerk/Administrator
South Carolina Public Service Commission
101 Executive Center Dr., Suite 100
Columbia, SC 29210

Re: Status Notification to Commission In Accordance with Commission
Order No. 2006-662
In Re: **Docket No.: 2005-224-C and 1999-515-C** (Flatel, Inc. d/b/a Telephone
USA f/k/a Florida Telephone Company)

Dear Mr. Terreni:

Please allow this correspondence to serve as the Response of the South Carolina Office of Regulatory Staff ("ORS") as required under Commission Order No. 2006-778. In that Order, the Commission requested a report from the ORS notifying the Commission with regard to the Company's compliance with Commission rules and regulations and the request made by the ORS in Docket Nos. 2005-224-C and 1999-515-C that the Commission deny Flatel's request for reinstatement of its certificate of PC&N.

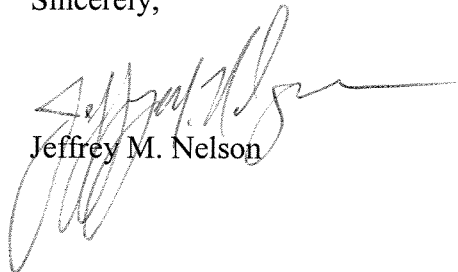
As stated in the ORS' letter of December 4, 2006, Flatel had at that date provided certain information and made some filings in an apparent effort to comply with the PSC Order and ORS requests in this matter. However, no progress has been made by Flatel since that date to correct the remaining deficiencies despite numerous telephone calls and correspondence from the ORS staff to assist the company in doing so. Specifically, Flatel has still not provided the ORS with a South Carolina Universal Service Fund Contributor's Worksheet reporting the revenues of the company for the year ending December 31, 2004. The company has also failed to file an accurate Gross Receipts report for that same period. The failure on Flatel's part to make these filings is what led to the initial revocation of Flatel's certificate of public convenience and necessity in Commission Order No. 2006-55. Finally, a search of the South Carolina Secretary of State's listing of corporations through their web site shows that Flatel, Inc. is still in a forfeiture status with that office.

Despite some efforts by the company to comply with the Commissions regulations, Flatel has still failed to comply with the specific provisions contained in Commission Order No. 2006-662 which reinstated Flatel's certificate on a conditional basis. Specifically, the ORS has still not been provided with data, records, and information to clarify Flatel's gross receipts earned in South Carolina for 2004, and has not received a Universal Service Fund worksheet for the year 2004. As Flatel has failed to comply with the conditions set forth in the Commission Order, the ORS must therefore recommend that the conditional reinstatement of Flatel's certificate provided in Order No. 2006-662 be rescinded, and the certificate revoked as provided in Order No. 2006-55.

As an additional point of consideration, the ORS would request that the Commission direct that Flatel notify its customers in writing within 30 days of a Final Order in this case that the customers must obtain a new telecommunications service provider. Further, that Flatel be ordered to cease and desist from providing telecommunications services in South Carolina 30 days after such notification is made to existing customers. Also that the Commission notify and order all underlying carriers to cease providing services to Flatel not later than 60 days after the date of such Final Order. Finally, that Flatel be ordered to immediately cease and desist from advertising for or obtaining new customers in South Carolina.

Thank you for your consideration in this matter. If you have any questions, please do not hesitate to call me.

Sincerely,



Jeffrey M. Nelson

JMN/pjm

cc: Mr. Abby Matari – Amatari@Flatel.net (via E-mail and US Mail)